

Message Text

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ORIGIN SS-25

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DRAFTED BY E:RMORRIS:LH

APPROVED BY E:RMORIS

S/S - MR. EALUM

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 035757

EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: OIL PRICES

FOR UNDER SECRETARY ROBINSON FROM MORRIS.

1. I ASKED INR TO RUN A CALCULATION OF WHAT THE CURRENT PRICE PER BARREL OF OIL WOULD BE USING AMOUZEGAR'S FORMULA AS REPORTED IN TEHRAN'S 1402. THEY REPORT THAT SUCH CALCULATION WOULD BE VERY COMPLEX, BUT DID OFFER FOLLOWING OBSERVATIONS, BASED ON ESTIMATE OF IRANIAN GOVERNMENT TAKE (RATHER THAN PRICE PER BARREL). I RECOGNIZE THAT AMOUZEGAR SPOKE IN TERMS OF "PRODUCERS" RATHER THAN JUST IRAN, BUT I AM TOLD THAT EVEN INCLUDING ALL OPEC PRODUCERS WOULD PROBABLY NOT SIGNIFICANTLY CHANGE BASIC CONCLUSIONS.

2. USING INFLATION INDEX FOR PERIOD 1947 TO PRESENT OF UNIT VALUES OF MANUFACTURED EXPORTS, INR CALCULATES THAT:

--OIL REVENUES ACCRUING TO IRANIAN GOVERNMENT UNDER SUCH A FORMULA WOULD HAVE TOTALED ABOUT \$5 BILLION FOR PERIOD 1947 THROUGH 1974.

ESS GRADUALLY FROM ACTUAL 18.4 CENTS IN 1947 TO 41 CENTS

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IN 1974.

IN 1974.

--EVEN IF GOVERNMENT TAKE PER BARREL HAD BEEN THE SAME PROPORTION OF PRICE ALL THROUGH THE PERIOD AS IT IS NOW, IRAN'S TOTAL 27 YEARS' REVENUE WOULD STILL BE LESS THAN \$10 BILLION.

--THERE WAS NO POINT IN ESTIMATING ACCRUED INTEREST (AS HE SUGGESTED) SINCE ESTIMATED REVENUES BEGAN REGULARLY TO EXCEED HYPOTHETICAL REVENUES IN THE MID FIFTIES, AND THUS IRAN'S HYPOTHETICAL INTEREST PAYMENTS TO CONSUMERS WOULD HAVE MORE THAN CANCELLED OUT INTEREST DUE FROM CONSUMERS.

--IN SUM, SINCE REVENUES IRAN ACTUALLY HAS RECEIVED DURING THE PERIOD ARE ESTIMATED AT OVER \$36 BILLION, APPLICATION OF HIS FORMULA MEANS IRAN WOULD OWE CONSUMERS ANYWHERE FROM \$25 TO \$30 BILLION AS OF END 1974.

3. IT SEEMS OBVIOUS THAT AMOUZEGAR WAS SPEAKING OFF THE TOP OF HIS HEAD ON THIS ONE, BUT IF HE TAKES THE SAME LINE WITH YOU, YOU MIGHT RESPOND THAT A HASTY CALCULATION RESULTS IN AN ESTIMATE THAT IRAN WOULD END UP OWING CONSUMERS A VERY LARGE SUM, AND REMIND HIM THAT, FOR MANY YEARS IN THE PAST QUARTER CENTURY, THE PRICES OF THEIR IMPORTS REMAINED RELATIVELY STABLE AND IN FACT DECLINED IN SOME.

4. DETAILED ANALYSIS WILL BE AVAILABLE ON YOUR RETURN.
INGERSOLL

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